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## India

### Cotton and Products Update

#### Planting near completion as monsoon recovery improves yield prospects

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**Report Highlights:**

Post forecasts India's MY 2018/19 cotton production at 28.5 million 480 lb. bales on 11.8 million hectares. Planting is near completion and the recovery of monsoon rains has improved yield prospects. Mill consumption is forecast at 25 million 480 lb. bales, the highest in the past three years. Exports of cotton yarn and fabric remain strong supported by the weakening of the Indian currency by more than 10 percent since the beginning of the marketing year.

**Post:**  
New Delhi

**Commodities:**  
Cotton

**Production, Supply and Demand Data Statistics :**

<b>Cotton</b>	<b>2016/2017</b>		<b>2017/2018</b>		<b>2018/2019</b>	
<b>Market Begin Year</b>	<b>Aug-16</b>		<b>Aug-17</b>		<b>Aug-18</b>	
<b>India</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Area Planted</b>	-	-	-	-	-	-
<b>Area Harvested</b>	10,850	10,850	12,400	12,444	11,900	11,800
<b>Beginning Stocks</b>	9,944	9,944	11,130	11,160	12,430	12,160
<b>Production</b>	27,000	27,000	29,000	29,000	28,700	28,500
<b>Imports</b>	2,736	2,736	1,700	1,700	1,500	1,500
<b>MY Imports from U.S.</b>	-	-	-	-	-	-
<b>Total Supply</b>	39,680	39,680	41,830	41,860	42,630	42,160
<b>Exports</b>	4,550	4,520	5,200	5,200	4,500	4,200
<b>Use</b>	24,000	24,000	24,200	24,500	25,200	25,000
<b>Loss</b>	-	-	-	-	-	-
<b>Total Dom. Cons.</b>	24,000	24,000	24,200	24,500	25,200	25,000
<b>Ending Stocks</b>	11,130	11,160	12,430	12,160	12,930	12,960
<b>Total Distribution</b>	39,680	39,680	41,830	41,860	42,630	42,160
<b>Stock to Use %</b>	39	39	42	41	44	44
<b>Yield</b>	542	542	509	507	525	526
<b>(1000 HA), 1000 480 lb. Bales, (PERCENT), (KG/HA)</b>						

**Area and Production**

Post currently forecasts the marketing year (MY) 2018/19 cotton area of 11.8 million hectares, 100,000 hectares lower than the official USDA estimate. According to the Ministry of Agriculture and Farmers Welfare (MOAFW), planted area reached 11.68 million hectares as of August 28, 2018 compared to 11.98 million hectares in MY 2017/18 (refer to Table 2). Planted area is 2 percent lower than last year and the 5-year average of 11.05 million hectares. However, favorable rains in the latter half of the southwest monsoon will improve crop development. All India yields are forecast at 526 kg per hectare, 3-4 percent higher compared to yields in MY 2017/18.

### **Madhya Pradesh cotton area highest in the past seven years**

Reported planted area in the state of Madhya Pradesh is 22 percent higher than the normal five-year average, and 15 percent higher than last year. This increase in cotton planting area is unusually high, as a result, Post is awaiting the next week's planting report for finalizing the Indian cotton area estimates. According to MOAFW, cotton area in the state of Madhya Pradesh has reached 688,000 hectares, the highest on record since 2011. However, trade sources indicate the area to be lower than government figures. Initial reports indicate the cotton crop is at vegetative state and farmers are undertaking weeding operations. The crop development is progressing well with isolated incidences of sucking pest observed in the field.

**Table 1: India. Cotton Sowing Position in Madhya Pradesh as of August 23**  
(Area in hectares)

Year	2011	2012	2013	2014	2015	2016	2017	2018	Normal Area**
Cotton Area	706,000	608,000	621,000	573,000	547,000	599,000	599,000	688,000	587,800

Source: Ministry of Agriculture and Farmers Welfare, Government of India.

\*\* Normal Area is the five-year average during 2013 through 2017

### **Crop Conditions in Gujarat, Maharashtra and Telangana**

In the Marathwada region (Central Maharashtra), the cotton crop has reached square formation/flowering stage, while the crop in the western part of the state (Vidarbha) has reached the vegetative/square formation stage. According to the Indian Meteorological Department (IMD) forecasts, rains are expected in the next four days (August 29 – September 2) in cotton growing districts in Western Maharashtra. Relative high humidity and cloud cover is providing conducive conditions for emergence of pests, and farmers are being advised to take plant protection measures (spraying of insecticides) for this issue. Similarly, most of Gujarat state's cotton crop is in the vegetative growth/square formation stage. Farmers are being advised to carry out interculturing (weeding and fertilizer application) for soil moisture conservation. Cotton growing districts in Telangana state have received normal rains and the relative higher humidity will provide congenial conditions for emergence of sucking pest. The excess moisture can also lead to incidence of wilt in cotton.

### **Arrivals**

Total arrivals as a percentage of the MY 2017/18 total Cotton Advisory Board (CAB) production estimate have reached 97 percent as of August 25, 2018 (refer to Table 3). MY 2017/18 all India cotton arrivals, as reported by the Cotton Corporation of India (CCI), reached 28.02 million 480 lb. bales (35.89 million 170 kg bales/6.1 mmt). The pace of cotton arrivals in MY 2017/18 is 6 percent higher than last year (refer to Table 3), but trade estimates continue to be even higher than the CCI figures.

### **Consumption**

FAS Mumbai forecasts MY 2018/19 consumption at 25 million 480 lb. bales (32 million 170 kg bales/5.44 mmt), 200,000 bales lower than USDA official forecast. Post estimate of total cotton consumption will equal the consumption levels previously witnessed in the MY 2015/16 season. Post interactions with mills in central and southern India indicate firm demand for cotton in the coming season as prices are expected to remain stable due to yield improvement. The prices of polyester have

also started rising as a result of rising crude prices, which will ensure the share of cotton remains strong in fiber blends.

Industry associations continued work on programs to improve cotton quality have subsequently improved the international pricing for Indian cotton. Indian cotton currently trades at around a 10 cent discount to other origins due to a relatively higher trash content. Indian ex-gin prices continue to be much lower than the Cotlook A Index price. Trade sources indicate that large mill coverage is between 60-80 days, while smaller mills are covered between 10-20 days. MY 2018/19 average monthly mill consumption forecast is around 2.58 million 480 lb. bales. Mill consumption in June and July has seen 5 to 6 percent growth compared to last year.

MY 17/18 consumption estimate has been revised to 24.5 million 480 lb. bales (31.4 million 170 kg bales/5.34 mmt) based on updated consumption data provided by the Textile Commissioners Office (TCO). Average monthly mill consumption in 2018 (Jan-Jun) has been around 2.56 million 480 lb. bales, three percent higher compared to the same period last year.

### **Trade**

Since the beginning of the marketing year (Aug/Jul) 2017, the Indian Rupee has fallen by 10 percent disrupting overall cotton trade. While the falling rupee has supported sustained exports of cotton and cotton products, cotton imports have remained subdued. The MY 2018/19 export forecast remains at 4.2 million 480 lb. bales (5.4 million 170 kg bales/ 914,000 mt). While Indian ex-gin prices remain one of the lowest in the global market, the Government of India is supporting the industry through various export promotion schemes for the textile industry. Post anticipates higher exports of value-added products (yarn and fabric) to various markets, as Indian raw cotton will be competing with higher-quality foreign origin cotton from Australia and West Africa.

Post has raised MY 2017/18 export estimate to 5.2 million 480 lb. bales (6.6 million 170 kg bales/1.13 mmt) as Indian cotton prices are relatively cheaper compared to the Cotlook A-Index. The Indian currency remains weak supporting strong shipments in the latter part of the marketing year.

Post's MY 2018/19 cotton import forecast is 1.5 million 480 lb. bales (2.1 million 170 kg bales/370,000 mt). Post anticipates imports to remain strong as mills import for processing and re-export to cover yarn and fabric export commitments.

With strong cotton yarn export shipments, the prices of yarn have started rising as well. Yarn prices for 30s count (highest traded in volume) have risen by 12 percent in the past five months. In MY 2017/18, China was the major export market for yarn with a 34 percent share of total shipments, followed by Bangladesh. Other cotton yarn exports markets included Pakistan and Egypt. Similarly, cotton fabric exports have remained consistently strong in MY 2017/18 (refer to Table 10). Major fabric export markets include Bangladesh, Senegal, South Korea, and Sri Lanka.

### **Stocks**

According to data from the Office of the Textile Commissioner, mill cotton stocks (see Table 5) reported in June 2016 was 4.3 million 480 lb. bales (5.5 million 170 kg bales/934,000 mt). These stock levels are the highest in the past five years for the month of June. Compared to last year, there is a much

higher buildup of mill stocks in MY 2017/18. With the anticipation of a rise in cotton prices due to the recent announcement of the minimum support price, and an expected delay in cotton arrivals, the mills have built up reasonable levels until the arrival of the new crop begins October onwards. Cotton yarn stocks are lower than last year, but have risen from the previous month, and this suggests that mills are maintaining a limited inventory as yarn and fabric exports remain strong. (refer to Table 6).

## **Policy**

### **Increase in import duty of textile items**

On August 7, 2018, the Government of India issued a [Notification 58/2018](#) increasing the basic customs duty on the import of 328 textile products (carpets, apparels and other textile products) from 10 percent to 20 percent. The customs notification is an amendment to [Notification 82/2017](#) issued on October 27, 2017, which prescribed the effective duty rate under chapters 50 to 63 on textile products. Indian trade views the tariff increase as a positive step to support the domestic textile industry. The tariff increase is seen as a step to limit imports of cheaper fabric and garments from China and Bangladesh, which is affecting domestic production. Apart from tariff measures, the Government of India is also reviewing existing trade agreements in order to support Indian textile exports.

**Table 2: India's Kharif 2018 Cotton Sowing Position (area in hectares)**

State	2018/19 as of August 28, 2018	2017/18 as of August 28, 2017	Normal Area**	Y-o-Y Change	Change from Normal
Andhra Pradesh	473,000	532,000	645,000	-11%	-27%
Telangana	1,760,600	1,824,000	1,684,000	-3%	5%
Gujarat	2,690,800	2,658,000	2,579,000	1%	4%
Haryana	665,000	656,000	597,000	1%	11%
Karnataka	384,000	450,000	635,000	-15%	-40%
Madhya Pradesh	688,000	599,000	566,000	15%	22%
Maharashtra	4,062,300	4,170,000	4,107,000	-3%	-1%
Odisha	157,800	145,000	126,000	9%	25%
Punjab	284,000	385,000	394,000	-26%	-28%
Rajasthan	496,100	503,100	450,000	-1%	10%
Tamil Nadu	5,800	16,700	150,000	-65%	-96%
Others	17,200	28,600	43,000	-40%	-60%
<b>All India</b>	<b>11,684,600</b>	<b>11,967,400</b>	<b>11,976,000</b>	<b>-2%</b>	<b>-2%</b>

Source: Ministry of Agriculture and Farmers Welfare, Government of India,

\*\* Normal Area is the five-year average during 2013 through 2017

**Table 3: India's Progressive Arrivals as of August 25, 2018 by State (in 170 kg bales)**

States	2016/17	2017/18	Difference
Punjab	900,000	1,094,750	21.64%
Haryana	2,050,000	2,250,000	9.76%
Rajasthan	1,650,000	2,200,000	33.33%
<b>North</b>	<b>4,600,000</b>	<b>5,544,750</b>	<b>20.54%</b>
Gujarat	8,913,000	10,115,140	13.49%
Maharashtra	8,850,500	8,500,000	-3.96%
Madhya Pradesh	2,050,000	2,050,000	0.00%
<b>Central</b>	<b>19,813,500</b>	<b>20,665,140</b>	<b>4.30%</b>
Andhra Pradesh	1,900,500	1,859,500	-2.16%
Telangana	4,801,000	5,110,920	6.46%
Karnataka	1,800,000	1,800,000	0.00%
Tamil Nadu	500,000	460,000	-8.00%
<b>South</b>	<b>9,001,500</b>	<b>9,230,420</b>	<b>2.54%</b>
Orissa	300,000	350,000	16.67%
Others	200,000	100,000	-50.00%
<b>Total</b>	<b>33,915,000</b>	<b>35,890,310</b>	<b>5.82%</b>
<b>CAB* Production Estimate</b>	<b>34,500,000</b>	<b>37,000,000</b>	
<b>Arrivals as % of Prod. Est.</b>	<b>98.3%</b>	<b>97.0%</b>	

Source: Cotton Corporation of India

\*Cotton Advisory Board (CAB)

**Table 4: India's Cotton Consumption (Mill & Small Sector Units) By Month**  
(Figures in Million 480 lb. Bales)

Month	2012/13	2013/14	2014/15	2015/16	2016/17
Aug	1.723	1.892	1.910	2.020	<b>1.903</b>
Sep	1.676	1.851	2.015	1.920	<b>1.807</b>
Oct	1.706	1.876	1.886	1.929	<b>1.680</b>
Nov	1.647	1.793	1.955	1.822	<b>1.800</b>
Dec	1.768	1.965	2.022	1.990	<b>1.920</b>
Jan	1.819	1.967	2.012	1.972	<b>1.954</b>
Feb	1.737	1.814	1.919	1.924	<b>1.908</b>
Mar	1.843	1.957	2.044	2.000	<b>2.022</b>
Apr	1.813	1.898	1.997	1.948	<b>1.926</b>
May	1.784	1.904	2.001	1.982	<b>1.942</b>
Jun	1.758	1.882	2.000	1.982	<b>1.929</b>
Jul	1.883	1.916	1.997	1.953	
Loss*	0.611	0.493	0.390	1.405	1.366
<b>Total</b>	<b>21.767</b>	<b>23.208</b>	<b>24.149</b>	<b>24.848</b>	<b>22.157</b>

2016/17 Figures in Bold are Provisional

\*Loss estimate from the Cotton Advisory Board added into total consumption

Source: Textile Commissioner's Office, GOI

**Table 5. India: Monthly Cotton Stocks held by the Textile Sector (Million 170 kg bales)**

Month	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Aug	3.463	3.613	3.500	3.538	3.427	3.197
Sep	2.957	2.909	3.049	2.961	2.867	3.345
Oct	2.619	2.503	2.750	2.842	2.770	2.647
Nov	2.981	2.582	3.867	3.678	2.734	3.472
Dec	3.784	3.448	4.053	4.477	3.436	5.134
Jan	4.716	4.359	4.601	5.058	4.012	5.853
Feb	5.293	4.839	5.197	5.750	4.715	5.733
Mar	5.629	5.398	5.336	5.981	5.225	6.170
Apr	5.776	5.531	5.326	5.667	5.325	6.220
May	5.013	5.430	4.988	5.141	5.058	6.260
Jun	4.481	4.880	4.675	4.718	4.789	5.495
Jul	4.204	4.206	3.962	4.075	4.507	

Source: Textile Commissioner, Ministry of Textiles, Government of India

**Table 6. India: Monthly Cotton Yarn Stocks held by the Textile Sector**  
(Million 170 kg bales)

<b>Month</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Aug	103	120	167	166	156	192
Sep	122	133	168	166	153	186
Oct	123	133	179	170	167	167
Nov	126	136	171	174	167	144
Dec	117	132	161	159	166	134
Jan	119	117	162	159	147	135
Feb	109	129	150	155	154	139
Mar	108	134	141	141	148	139
Apr	122	143	141	128	137	129
May	124	140	153	132	147	131
Jun	118	151	159	131	156	139
Jul	117	160	160	136	182	

Source: Textile Commissioner, Ministry of Textiles, Government of India



**Table 7a. India: Estimate of 2016/17 Cotton Exports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb.</b>
August Exports 1\	67,069	11,402	52,368
September Exports 1\	66,389	11,286	51,837
October Exports 1\	51,351	8,730	40,095
November Exports 1\	619,215	105,267	483,486
December Exports 1\	1,098,171	186,689	857,456
January Exports 1\	1,088,024	184,964	849,534
February Exports 1\	780,866	132,747	609,703
March Exports 1\	702,449	119,416	548,475
April Exports 1\	442,278	75,187	345,332
May Exports 1\	446,692	75,938	348,779
June Exports 1\	293,434	49,884	229,114
July Exports 1\	133,018	22,613	103,861
<b>Total Aug-Jul</b>	<b>5,788,955</b>	<b>984,122</b>	<b>4,520,038</b>

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

**Table 7b. India: Estimate of 2017/18 Cotton Exports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb.</b>
August Exports 1\	86,664	14,733	67,667
September Exports 1\	78,476	13,341	61,274
October Exports 1\	67,155	11,416	52,435
November Exports 1\	547,000	92,990	427,100
December Exports 1\	1,030,687	175,217	804,764
January Exports 1\	934,086	158,795	729,338
February Exports 1\	830,966	141,264	648,821
March Exports 1\	887,481	150,872	692,948
April Exports 1\	823,273	139,956	642,815
May Exports 1\	569,878	96,879	444,963
June Exports 1\	493,862	83,957	385,609
July Exports 2\	288,235	49,000	225,055
<b>Preliminary Total (Aug-May)</b>	<b>6,637,761</b>	<b>1,128,419</b>	<b>5,182,789</b>

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

2\ FAS Analysis

**Table 8a. India: Estimate of 2016/17 Cotton Imports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb.</b>
August Imports 1\	452,847	76,984	353,585
September Imports 1\	812,071	138,052	634,068
October Imports 1\	379,741	64,556	296,503
November Imports 1\	162,424	27,612	126,821
December Imports 1\	109,000	18,530	85,108
January Imports 1\	71,247	12,112	55,630
February Imports 1\	74,918	12,736	58,496
March Imports 1\	137,000	23,290	106,970
April Imports 1\	160,459	27,278	125,287
May Imports 1\	312,576	53,138	244,061
June Imports 1\	444,529	75,570	347,090
July Imports 1\	387,071	65,802	302,226
<b>Preliminary Total</b>	<b>3,503,882</b>	<b>595,660</b>	<b>2,735,845</b>

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

**Table 8b. India: Estimate of 2017/18 Cotton Imports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb.</b>
August Imports 1\	438,406	74,529	342,309
September Imports 1\	416,553	70,814	325,246
October Imports 1\	85,606	14,553	66,841
November Imports 1\	46,761	7,949	36,511
December Imports 1\	59,806	10,167	46,697
January Imports 1\	72,186	12,272	56,363
February Imports 1\	99,149	16,855	77,416
March Imports 1\	118,180	20,091	92,276
April Imports 1\	212,332	36,096	165,789
May Imports 2\	198,388	33,726	154,902
June Imports 2\	214,777	36,512	167,699
July Imports 2\	176,471	30,000	137,789
<b>Preliminary Total</b>	<b>2,138,615</b>	<b>363,565</b>	<b>1,669,839</b>

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

2\ FAS Analysis

**Table 9: India's Cotton Yarn\* Exports by Month**  
(Figures in thousand Metric Tons)

Month/Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014/15	2015/16	2016-17	2017/18
Aug	46	63	58	93	113	94	117	66	79
Sep	46	57	100	65	108	98	112	77	99
Oct	56	57	48	76	119	101	106	76	98
Nov	49	77	58	87	106	125	105	103	111
Dec	55	79	66	108	113	125	115	173	116
Jan	53	31	75	99	131	113	104	132	87
Feb	62	2	63	102	108	119	100	107	95
Mar	73	68	66	107	117	122	112	89	118
Apr	72	51	88	80	94	104	105	66	106
May	65	47	94	95	93	99	94	65	109
Jun	60	50	78	103	76	103	92	78	117
Jul	60	62	107	111	87	118	75	71	
<b>TOTAL</b>	<b>696</b>	<b>646</b>	<b>900</b>	<b>1,126</b>	<b>1,266</b>	<b>1,321</b>	<b>1,237</b>	<b>1,102</b>	

\*HS code: 5204, 5205 and 5207

Source: Directorate General of Foreign Trade, Ministry of Commerce

**Table 10: India's Cotton Fabric\* Exports by Month**  
(Figures in thousand square meters)

Month/Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014/15	2015/16	2016-17	2017/18
Aug	48,805	160,275	69,847	77,093	78,908	92,491	101,473	114,071	107,441
Sep	45,256	54,091	78,881	72,827	101,017	98,636	103,974	104,661	123,563
Oct	46,080	58,393	57,317	70,553	101,327	108,182	117,801	105,404	109,572
Nov	41,361	44,896	59,584	66,084	85,897	103,471	95,082	87,723	118,218
Dec	46,324	58,806	84,697	75,412	100,335	105,335	120,598	111,894	132,634
Jan	51,374	69,052	79,762	74,008	91,169	93,192	116,656	107,512	125,357
Feb	47,950	70,709	80,219	65,141	87,377	96,586	107,487	115,131	113,085
Mar	51,344	61,286	80,233	75,329	98,696	105,169	120,461	112,033	133,115
Apr	41,967	74,807	69,011	65,683	88,629	86,833	109,559	94,314	114,490
May	44,634	68,259	72,021	65,469	81,581	103,443	103,401	89,070	119,666
Jun	45,597	65,899	83,716	67,760	94,572	103,909	97,017	93,372	122,125
Jul	53,521	82,835	68,767	78,547	87,284	97,115	98,890	94,360	-
<b>TOTAL</b>	<b>564,213</b>	<b>869,309</b>	<b>884,055</b>	<b>853,906</b>	<b>1,095,904</b>	<b>1,194,361</b>	<b>1,292,397</b>	<b>1,229,544</b>	

\*HS code: 5208 and 5209

Source: Directorate General of Foreign Trade, Ministry of Commerce